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AUTOCRACY, DEMOCRACY AND HISTORY
WITH APPENDIX: AN ABSTRACT
MODEL OF AUTOCRATIC VERSUS
DEMOCRATIC GOVERNMENT

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Autocracy, Democracy, and History
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The line of thinking set out in this paper began in my
student days with the reading of a quotation from a man in a
backward village in Southern Italy who believed in absolute
monarchy. This man argued that "monarchy is the best kind
of government because the King is then owner of the country.
Like the owner of a house, when the wiring is wrong, he
fixes it."[1] This reasoning jarred against my democratic
convictions. I could not deny that the owner of a country
would indeed have an incentive to make his property
productive or the implication that his subjects would also
gain from this. The present essay is a result of episodic
attempts over many years to accommodate my commonplace
prejudices in favor of democracy -- and the great economic
and other achievements of various historical and
contemporary democracies -- to the germ of truth in the
village monarchist's argument. This essay attempts to
identify and explain some commonplace historical differences
between autocracies and democracies and to suggest why
autocracies are the norm at some stages of historical
development but not at others.

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[1] The Moral Basis of a Backward Society (Glencoe, Ill.:
1958), p 26.

One premise of my argument is that no society can work
if it does not have a peaceful order and other "public
goods" as well. Obviously, some individuals can sometimes,
at small cost to themselves, seize the goods of others, and,
as Thomas Schelling has best explained,[2]
also credibly threaten to inflict violent harm upon others,
thereby giving their targets an incentive to surrender their
goods or to succumb to slavery. For some, violence can
therefore be rational, but it cannot be rational, or usually
even consistent with viability, for a society. The victims
of violence and theft not only lose what is taken from them,
but also the incentive to produce and to invest in goods
that are likely to be taken by others; there is little or no
production in anarchic conditions. As Douglass North
pointed out long ago, there is a huge "consumers' surplus"
or net gain from replacing anarchy with government.[3]

Since life in an anarchy is appallingly inefficient,
there are gains from making and carrying out an agreement to
maintain peace and order. Indeed, these gains are so
colossal that there are a vast variety of ways in which the
gains from a peaceful order can be shared that will leave
everyone in a society better off than under anarchy. Can we
conclude that, because everyone could gain from it, peaceful
order emerges by voluntary agreement?

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[2] Arms and Influence (New Haven: 1966).
[3] See his book on Growth and Structural Change (New York:
1981) and his book with Robert Thomas on The Rise of the
West (Cambridge: 1973).

In very small groups whose members have reason to interact over an indefinitely long period, a generally peaceful order should indeed emerge by voluntary agreement. If there are, say, five similar people, each of them will tend to get about a fifth of the gains from the creation of a peaceful order. Though each individual will bear the full costs or risks of what he does to help establish a peaceful order, the advantages of such an order are so large that one-fifth of the gains from a peaceful order could easily exceed the total sacrifice. Moreover, when there are only a few people in a group, it will be clear that the welfare of each person depends conspicuously on whether each other individual acts in a group-oriented or in an anti-social way. Thus each person, by making clear that cooperation by others will bring forth cooperation from him but that non-cooperation will not, can increase the likelihood that others match his behavior. This not only increases the probability of peaceful interaction, but even makes it easily possible that cooperation will reach an ideal or group-optimal extent.[4] Thus the logic of the matter leads us to expect that very small groups will be able to establish and maintain peaceful order and obtain other socially valuable public goods by voluntary agreement.

This expectation seems to fit the facts. We have not only the general evidence that voluntary cooperation of

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[4] See my Logic of Collective Action (Cambridge: 1965).

small groups to achieve common purposes is commonplace,[5] but also the anthropological observations of the most primitive societies. The most primitive food-gathering and hunting societies are normally made up of bands of only about 50 or 100 people, including the children. In other words, such a band will normally have only a few families that need to cooperate. Some people suppose that primitive tribes are at least as dictatorial and repressive as the monarchies of early modern Europe, but this is not so. Anthropologists find that primitive tribes normally maintain peace and order by voluntary agreement, and that is approximately also what Tacitus and Caesar and other classical writers on the germanic tribes observed. The most primitive tribes tend to make all important collective decisions by consensus and many of them do not even have chiefs. When a band becomes too large or disagreement is intense, the band may split in two, but the new bands normally also make decisions by unanimous consent. If a tribe is in the hunting and gathering stage, there is also little or no incentive for anyone to keep slaves, since a slave can generate so little surplus above his subsistence that it is not worthwhile to bear the costs of guarding him.[6] Thus within the most primitive tribes of pre-agricultural history, the logical

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[5] Collective Action.
[6] See L.T. Hobhouse, G.C. Wheeler, and M. Ginsberg, The Material Culture and Social Institutions of the Simpler Peoples (London: 1930, 1965 and New York: 1965) and my "Some Historic Variation in Property Institutions," (mimeo, 1967).

presumption that the great gains from a peaceful order can
be achieved by voluntary agreement appears to hold true.

When people learned how to raise crops effectively,
production increased and populations grew. In time there
were thousands and ultimately millions of people in a
society. The fact that law and order is incomparably better
for people than anarchy does not explain the emergence of
law and order in societies with large numbers of people. A
typical individual in a society with a million people will
get only about one-millionth of the gain from establishing
law and order but will bear the whole cost and risk of
whatever he does to establish it. The typical individual in
a population of a million will normally have no significant
impact on the likelihood any other individual will enjoy law
and order, so there is also no strategic interaction; it
pays an individual to make no voluntary contribution to
providing the collective good of law and order whether
others contribute or not. The rewards and punishment of
social interaction also do not motivate contributions to
collective action when groups are too large for most
individuals to interact socially with most of the others.
So logic tells us that the collective good of law and order,
like other collective goods, cannot be obtained through
voluntary collective action in really large groups.[7]

The historical record tells us the same thing. There
have been lots of writings about the desirability of "social

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[7] Collective Action.

contracts" to obtain the benefits of law and order, but to my knowledge no one has ever found a large society that obtained law order through a voluntary social contract of the individuals in the society -- no large society has overcome anarchy through voluntary agreement.

The First Blessing of the Invisible Hand

Why, then, do large societies no less than small ones normally enjoy a peaceful order rather than anarchy? An answer came to me by chance when I was reading a book on a Chinese warlord. In the 1920's China was in large part under the control of various warlords. They were men who had some armed band with which they had conquered some province or set of villages and who then made themselves lords of the territory that they had conquered. They usually taxed the population heavily and pocketed the proceeds of this taxation for their own purposes. One warlord, Feng Yu-hsiang, was apparently relatively popular because of the exceptional extent to which he used his army for suppressing bandits and for his defeat of the relatively substantial army of the roving bandit, White Wolf. Many peasants, merchants, and intellectuals in Feng's domain wanted him to remain as their warlord.

This seemed arbitrary to me: why should warlords who were simply stationary bandits be preferred to roving bandits? The warlords had no claim to legitimacy and were distinguished from leaders of roving bandit armies only

because they took their theft in the form of regular taxation rather than episodic plunder. Others have also asked whether "'warlord' was not simply a euphemism for 'bandit'."[8]

I am now convinced that I was wrong and that the Chinese who preferred settled bandits to roving ones were right. If a roving bandit settles down and decides to steal through regular taxation, and at the same time insists that he has a monopoly on theft in his domain, then those from whom he exacts taxes will, in spite of his exactions, have an incentive to produce and accumulate wealth. The rational stationary bandit will take only a part of income in taxes, because he will be able to exact a larger total amount of income from his subjects if he leaves them with an incentive to produce.

If the stationary bandit successfully monopolizes the theft in his domain, then his victims do not need to worry about theft by others. If he steals only through regular taxation, then his subjects know that they can keep whatever proportion of their output is left after they have paid their taxes. Thus the rational monopolization of theft, as compared with uncoordinated competitive theft, means that an individual will be able to retain any capital that he accumulates. Once an individual has paid the stipulated tax rates, he can hang on to whatever wealth he has

[8] James E. Sheridan, Chinese Warlord: The Career of Feng Yu-hsiang (Stanford: 1966), pp. 19 and 51-119.

accumulated.[9] This greatly increases the incentive to produce, to save, and to invest. Since all of the settled bandit's victims are for him a source of tax-income, he also has an incentive to prohibit others from killing or maiming his subjects. The monopolization of theft and the protection of the tax-generating subjects thereby eliminates anarchy. Since the warlord takes a part of total production in the form of tax-theft, it will also pay him to provide some irrigation works or other public goods whenever the provision of these goods increases taxable income sufficiently.

Bandit rationality will, accordingly, lead bandits who can conquer and hold an area for any considerable period of time to stop roving around and set themselves up as lords of a settled domain: with roving banditry there is little or no incentive for anyone to produce or accumulate anything that may be stolen, and thus little for roving bandits to steal. Thus we have what I call "the first blessing of the invisible hand." The leader of the roving bandits is led, as though by an invisible hand, to settle down and set himself up as head of a government. The colossal increase in output that arises from the creation of a peaceful order gives a stationary or governing bandit a larger take than he could obtain if no government is provided.

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[9] Though it did not come through to me on first perusal, I have found after getting help from one of Douglass North's former students -- my colleague John Wallis -- that there is an impressively early account of a King's incentive to improve property rights in some his writings.

The provision of the public goods provided by government to groups that are larger than tribes therefore results from "bandit-entrepreneurship" or, more generally, the entrepreneurship of those with superior capacities to wreak violence. When the bandits have for a time been engaged in tax-theft rather than roving theft, they come to be called Pharaohs or Kings and will often be thought to rule by divine right.

It is the concept of the "encompassing interest" set out in my book on The Rise and Decline of Nations[10] that explains why a peaceful order and other public goods are provided. The extent of the concern of an interest group, office-holder, political party, monarch, or any other partial or total "owner" of the society will vary with the size of the stake in the society. Other things equal, the larger or more encompassing the stake an organization or individual has in a society the greater the incentive the organization or individual has to take action to increase the productivity or efficiency of that society and the greater the incentive to avoid actions that would damage the society.

In the case of an autocratic ruler with a well-defined and secure domain, we can see the extent of his encompassing interest most simply by temporarily assuming that all income is taxed at the same rate, so that he always receives a constant fraction of the national income in tax revenues.

[10] New Haven: 1982

If this fraction is one-third, he gets a third of any increase in the national income in tax collections, and he will then get a third of the benefit of the provision of a public good that increases taxable income. A fraction of the total social benefit from public good provision will obviously not motivate an ideal or socially efficient level of provision of public goods, but the amount it does generate (as we already know from Douglass North's point about the gigantic consumer surplus from a minimal level of government) can be of profound value to society.

From history, we know that it can permit an extraordinary development of civilization. From not long after the first development of settled agriculture until, say, about the time of the French Revolution, the overwhelming majority of mankind was subject to autocratic tax theft. History until relatively recent times has been in large part a story of the gradual progress of civilization under stationary bandits interrupted by occasional episodes of roving banditry. From about the time that Sargon's conquests created the empire of Akkad until, say, the time of Louis XVI and Voltaire, there was a considerable development of civilization. Much of it was due to the first blessing of the invisible hand -- to the superior incentives to produce and create under rational self-interested tax-theft than under anarchy.

The Monopolistic Hand

Happily, we can also reconcile the village monarchist's insight and the foregoing argument with a belief in democracy. Though the village monarchist was right in saying that the absolute ruler has as much incentive to fix what needs repair as the owner of a house, his analogy is profoundly misleading. The absolute autocrat is not in a position analogous to the owner of a <u>single</u> house, or even to the owner of all housing, but he is rather analogous to the owner <u>all</u> of the income-generating wealth, tangible and human, in a country. Admittedly, this means, as the village monarchist sensed, that he has an incentive to maintain and increase the productivity of everything and everyone, and his subjects will gain something from this. But it also means that he has an incentive to charge a <u>monopoly</u> rent, and to levy this monopoly charge on <u>everything</u>, including human labor.

In other words, the autocratic ruler has an incentive to extract the maximum possible surplus from the whole society and to use it for whatever he pleases. Exactly the <u>same</u> rational self-interest that can make a roving bandit settle down and provide a peaceful order and other public goods for his subjects will also make him extract, for his own purposes, the maximum possible amount that he can from the society. He will use his monopoly on coercive power to obtain the maximum possible take in taxes and other exactions.

The consumption of an autocratic ruler is, moreover, not limited by his personal capacities to use food, shelter, or clothing. Though the pyramids, the palace of Versailles, and even Imelda Marcos's 3,000 pairs of shoes were expensive, the social costs of autocratic leaders arise mostly out of their appetites for military power and international prestige or from their religious or ideological tastes. It took a large proportion of the total output of the Soviet Union, for example, to satisfy the preferences of its dictators.

The familiar metaphor of the "predatory" state is nonetheless misleading, even for autocracies. As we saw earlier, a stationary bandit finds it in his interest to provide some degree of domestic order and other public goods. Thus he is not like the wolf that preys on the elk, but more like the rancher who makes sure that his cattle are protected and given water. The metaphor of predation obscures the great superiority of stationary banditry over anarchy and the advances of civilization that have resulted from it. No metaphor or model of even the autocratic state can therefore be correct unless it simultaneously takes account of the stationary bandit's incentive to provide some public goods at the same time that he extracts the largest possible net surplus for himself.

To do justice to this duality, we must look at the incentives facing an autocrat in a slightly abstract way. Though the forms that stationary banditry has taken over the

course of history are diverse, the essence of the matter can
be seen by assuming that the autocrat gets all of his
receipts in the form of explicit taxation. The rational
autocrat will devote some of the resources he obtains
through taxation to public goods, but will impose far higher
tax rates than are needed to pay for the public goods since
he also uses tax collections to maximize his net surplus.
The higher the level of provision of public goods, given the
tax rate, the higher the society's income and the yield from
this tax rate. At the same time, the higher the tax rate,
given the level of public good provision, the lower the
income of society, since taxes normally have adverse effects
on incentives.

So what tax rate and what level of public good
provision will the rational self-interested autocrat choose?
Assume for the moment that the autocrat's level of public
good expenditure is given. As Joseph Schumpeter lucidly
pointed out in an article written during the first World
War, and as Ibn Kalduhn sensed much earlier,[11] tax receipts
will (if we start with low taxation) increase as tax rates
increase, but after some point higher tax rates damage
incentives so much that they reduce income to such an extent
that tax collections fall. Though this old idea has been

[11] Schumpeter's analysis is in "The Crisis of the Tax
State." This essay is reprinted, among other places, in
Joseph A. Schumpeter: the Economies and Sociology of
Capitalism, edited by Richard Swedberg (Princeton, N.J.:
Princeton University Press, 1991), pp. 99-140 and Ibn
Kalduhn's in The Muqaddimah, trans. by Franz Rosenthal
(Princeton: 1967), pp. 230-31.

grossly misused in the United States in recent years, there is no doubt that there is a tax rate that maximizes tax collections. The rational self-interested autocrat will choose this tax rate.

Though the amount collected at any tax rate will vary with the level of public good provision, it is plausible to assume that the optimum tax rate for the autocrat does not. At this maximizing tax rate the autocrat receives a determinate fraction of any increase in the national income. He will then, as I argued before, spend his money on domestic order and other public goods up to the point where this given fraction of the resulting increase in the national income at the margin just equals his expenditure on the public good. Thus the autocrat will, because he gets only part of the benefit of public goods, normally spend less -- and usually much less -- on them than an ideal government would have done, and the society's income will be much lower than it would have been under a hypothetical ideal government.

The subjects of the autocrat will therefore have a lower level of provision of public goods than an ideal government would have given them, and a vastly higher tax rate -- one so high that, if it were increased, income would fall by so much that even the autocrat, who absorbs only a

portion of the fall in income in the form of lower tax collections, would be worse off.[12]

There is no lack of historical examples in which autocrats provided only austere levels of public goods, yet for their own political and military purposes collected as much revenue as they possibly could through taxes and other exactions. Consider the largest autocratic jurisdictions in Western history. The Bourbon kings of France, while spending relatively little of public goods, were (at least on the eve of the French revolution) collecting all they could in taxes. When they were the dominant house in Europe, the Hapsburg Kings of Spain did the same. The Roman Empire ultimately pushed its tax rates at least to the revenue maximizing level. There is also no lack of examples from autocracies on other continents.

How would government by a rational self-interested autocrat compare with a democracy? Democracies are so varied that almost nothing can be said at the most general level. Nonetheless, some practical and historical insights can be obtained by thinking about one of the simplest democratic situations. This is a situation in which there are two candidates for a Presidency or two well-disciplined parties seeking to form the government. This simplifying assumption will be helpful to democratic performance, for it gives the democracy an "encompassing" interest rather like

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[12] A less casual and only modestly technical statement of the model is available on request from the author.

the one that makes the stationary bandit provide some public goods, so we shall make an assumption with an opposite bias later. But throughout I will avoid giving democracy unfair advantage by assuming better motivation -- I will impartially assume that the democratic political leaders and voters are just as self-interested as the stationary bandit, and in particular that the democratic leaders care only about winning elections.

Both historical and contemporary observation of two party democracies tell us that incumbents like to run on a "you never had it so good" record. An incumbent obviously would not leave himself with such a record if, like the stationary bandit, he deprived the electorate of the largest possible net surplus. But we are too favorable to democracy if we assume the incumbent party or president will maximize his chances of re-election simply by making the electorate as a whole as well off as possible.

A candidate needs only a bare majority to win, and he might be able to "buy" a majority by transferring income from the population at large to a prospective majority. The taxes and subsidies needed for this transfer would impair incentives and reduce society's output just as an autocrat's redistribution to himself does. Would the losses from this competition to buy votes generate a situation as bad for the society as the outcome the self-interested autocrat chooses?

To answer this question, think of the autocrat's revenue maximizing tax rate. Would the vote buying

incumbent raise tax rates that high to buy a majority? No. At the tax rate that maximizes tax collections, the tax at the margin reduces the society's income so much that tax collections, even though they take a larger percentage of total income, are unchanged. The incumbent's prospective majority will be worse off at this tax rate, even if it receives all of the tax receipts (beyond those spent on public goods) as a subsidy to itself. The reason is that a majority is bound to have an encompassing interest in the society and is therefore bound to bear much of the drop in national income that results from any distortion of incentives. If the majority in question normally earned half of the national income, it would bear half of the social loss generated by the taxes needed to obtain the vote-buying subsidy paid to it.

Thus the majority could not gain from any redistribution nearly as large as the redistribution that the self-interested autocrat makes to himself. Even with unconstrained vote-buying, a two candidate or two party system will stop far short of the level of redistribution given by the revenue maximizing tax rate. Thus, even leaving aside the point that it is voters rather than the President or the party leader who gets most of the redistribution in a democratic system (and the fact that majorities will change so that most voters will benefit from the vote buying at some time), the simple democratic system

at issue leaves the electorate with less impairment of the
incentives to produce than the self-interested autocracy.

Unfortunately, a democracy with many small political
parties, or one that is totally dominated by narrow special
interest groups, will be only slightly inhibited by the
social cost of redistributions to itself. A party or
interest group that earned only five percent of the social
income would bear only five percent of the social loss from
redistribution to itself, and thus would favor such
redistributions unless the social loss were more than twenty
times as great as the amount redistributed.[13] Such a party
or narrow interest group, to the extent it gets its way,
will lead a society only a moderate distance from the
revenue-maximizing tax rate.

It would therefore be wrong to conclude that
democracies will necessarily generate better economic
performance than dictatorships. Still, no democracy,
however faulty, gives the leader of the government an
incentive to extract the maximum attainable social surplus
solely to achieve his personal objectives.

The Unpredictable Hand

In the interest of taking things one at a time, the
foregoing analysis of autocracies has implicitly assumed
that the dictator was always thinking of the indefinitely
long run. Production takes time and some of the yield of

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[13] Rise and Decline

long term investment is harvested only years or even
decades later. This means that an autocrat who is taking a
long view will try to convince his subjects that, though tax
rates are high, the subjects' investments and fortunes will
be permanently protected, not only from theft by others but
also from expropriation by the autocrat himself. It is only
in this way that investment and income will be maximized.
To reach the maximum income attainable at a given tax rate,
a society will also need impartially to enforce contracts,
such as contracts for long term loans, but the full gains
are again reaped only in the long run. To obtain the full
advantage from long run deals a country also needs a stable
currency. A stationary bandit will therefore reap the
maximum harvest in taxes -- and his subjects will get the
largest gain from his encompassing interest in the
productivity of his domain -- only if he is taking an
indefinitely long view and only if his subjects have total
confidence that their "rights" to private property and to
impartial contract enforcement will be permanently respected
and that the coin or currency will retain its full value.

Now suppose that an autocrat is only interested in
getting through the next year. He will then gain from
expropriating any convenient capital asset whose _tax yield_
for the year is less than its _total_ value. He will also
gain from forgetting about the enforcement of long term
contracts and from repudiating his debts, and from coining

or printing new money that he can spend even though this
ultimately brings inflation.

To be sure, the rational autocrat will have an
incentive, because of his interest in increasing the
investment and trade of his subjects, to promise that he
will not do any of these things. But the promise of an
absolute autocrat is not enforceable by an independent
judiciary or any other independent source of power, because
absolute power by definition implies that there cannot be
any judges or other sources of power in the society that the
autocrat cannot overrule. Because of this, and the obvious
possibility that any stationary bandit could, because of an
insecure hold on power or the absence of an heir or for
other reasons, come to take a short term view, the promises
of an autocrat are never completely credible. It is
especially not credible that the properties and contracts of
those he may come to regard as possible candidates for his
own power (like those who are very rich or who have many
followers) will always be respected. Thus the model of the
rational self-interested autocrat offered in the prior
section of this paper is, in fact, somewhat too sanguine
about economic performance under such autocrats because it
implicitly assumed that they have -- and that their subjects
believed that they have -- an indefinitely long planning
horizon.

These are not idle deductions: the historical examples
of confiscations, repudiated loans, debased coinages, and

inflated currencies perpetrated by autocrats over the course
of history are almost beyond counting. There are many
examples from the absolutist royal houses of Western Europe
alone. Naturally, since it is administratively easier to
confiscate a few large properties than many small ones, and
since wealthier and more influential subjects were more
likely to be political rivals, the properties of the wealthy
and the prominent were more likely to be confiscated than
those of the humble. But some of the large confiscated
fortunes were disproportionately important for long distance
trade and major enterprise. The poor and uneducated were
perhaps more likely to suffer from the debasement of
currency and from the obstacles to borrowing that an absence
of reliable and impartial enforcement of long term contracts
brought about. Whether the main victims of the lack of
secure individual rights were the rich or the humble,
economic performance was impaired.

Perhaps the most interesting historical evidence that
the time horizon was important came from the concern about
the longevity of absolute monarchs and from the once
widespread belief in the social desirability of dynasties.
There are many ways to wish a King well, but "long live the
King" has some advantages for the subjects that I have come
to understand only recently. If the King anticipates and
values dynastic succession, that further lengthens the
planning horizon and is good for his subjects.

The historical prevalence of dynastic succession, in
spite of the near-zero probability that the son of a king is
the most talented person for the job, probably also owes
something to another neglected feature of absolutisms. Any
ruler with absolute power cannot by definition also have an
independent source of power within the society that will
select the next ruler and impose its choice upon the society
-- an independent capacity to install a new ruler implies
that this capacity can be used to remove or constrain the
present autocrat.   Thus, as is evident from modern
dictatorships in Africa and Latin America, for example,
dictatorships are by their nature especially susceptible to
succession crises and uncertainty about the future. These
uncertainties add to the problem of short time horizons that
has just been described. In these circumstances, it may be
advantageous to a society if a consensus emerges about who
the next ruler will be, since this reduces the social losses
arising from the absence in an autocracy of any independent
power that could ensure a smooth succession. Given
autocracy, then, dynastic succession can be socially
desirable, both because it may reduce the likelihood of
succession crises, and also because it may give monarchs
more concern for the long run and the productivity of their
societies.

The Improbable Transition

It was relatively easy to see how autocratic government emerged in so many societies and why it has been the predominant form of government since the development of settled agriculture. [The population growth generated by effective crop production] created situations where it paid to have an armed band for plunder. Because of the first blessing of the invisible hand, the leaders of some of these bands found it advantageous to settle down, provide public goods, and engage in tax theft. History is written by the winners and the stationary bandits eventually took on exalted titles and rationales for their autocracies.

It is much harder to see how democratic government could ever emerge out of autocracy. It is a logical mistake to suppose that, because the subjects of an autocrat suffer from his exactions, they will overthrow him. The same logic of collective action that ensured that there are no social contracts in the historical record whereby large groups agreed to obtain the advantages of government, also implies that the masses will not overthrow an autocrat simply because they would be better off if they did so. Historical evidence from at least the first Pharaohs through Saddam Hussein indicates that resolute autocrats can survive even when they impose heinous amounts of suffering upon their peoples. When they are replaced, it is for other reasons.[14]

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[14] Such as succession crises, and the types of reasons set out in my article on "The Logic of Collective Action in

And usually by another stationary bandit. What special circumstances explain the rare cases where a more or less democratic[15] government emerges out of an autocracy?

Easy as it would be to argue that certain countries in certain periods were blessed with democratic cultures or with morally superior leaders, this would be an ad hoc evasion. I am here obliged to explain the rare transition to democracy from the same parsimonious assumptions that have been used in the rest of this paper. Thus I must explain why a leader who helped overthrow an autocrat would not make himself the autocrat. We have seen that autocracy is a most profitable occupation and that the authors of most coups and upheavals have usually made themselves dictators.

The explanation is that, on rare occasion, it is impossible for those who overthrow one autocracy to establish another, much as they might wish to do so. It is impossible to establish another autocracy when the accidents of history have left a number of different organized groups, each with enough power so that it cannot be defeated (at least at acceptable cost) by any of the others. If each group has all of the power in a particular region, then the

Soviet-Type Societies," Journal of Soviet Nationalities, Vol. I, No. 2, Summer 1990, pp. 8-33.

[15] In this context, democracy is defined as pluralistic elections and the absence of autocracy, rather than in terms of universal suffrage. The determinants of whether a democracy is a narrow one, or whether it has woman's suffrage, or universal adult suffrage are different from the conditions that determine whether there will be autocracy or not.

leader of each group may be able to establish himself as an autocrat of a small domain, but if the different groups are scrambled together over a wide and well delineated domain, then small autocracies also are not feasible. If no one group has the power to overwhelm the others and the groups cannot be separated geographically, then no leader can establish either a national or local autocracy.

Thus it is a balance of power, stalemate, or truce among organized groups that cannot be separated geographically that offers the opening for a pluralistic and more or less democratic society. If no group can subdue the others or segregate itself from them, then the only alternatives are to engage in fruitless fighting or to work out a truce with mutual toleration. The provision of a peaceful order and other public goods will, in these circumstances, be advantageous for all of the groups, so the leaders of each group have an incentive to work out mutually satisfactory arrangements for the provision of such goods. Given peaceful conditions, there are great gains to leaders and other individuals in each group to be able to make mutually advantageous contracts with others, and thereby a common interest in establishing a disinterested and independent judiciary. With several groups, it is not certain in advance how elections will turn out, yet each group can, by allying with other groups, insure that no one other group will dominate elections. So elections as well as consensual agreements among the leaders of the different

groups can be consistent with the interest of the leaders and members of each group.

Unfortunately, there have not been many transitions from autocracy to democracy. Many of these transitions also were in some degree inspired or controlled by democracies that already existed, such as the transitions in Germany, Italy, and Japan after World War II. Most of the democracies in the English speaking world owed a good deal to the democracy that emerged in late 17th century Britain, and thus they usually do not offer a completely independent test of the argument about the transition to democracy offered here.

Happily, the initial emergence of modern democracy with the Glorious Revolution of 1689 nicely fits the logic of the democratic transition that has been offered here. There were no lasting winners in the English civil wars. The different tendencies in British Protestantism and the economic and social forces with which they were linked were more or less evenly matched. There had been a lot of costly fighting and, certainly after Cromwell, no one with the power to defeat all of the others. The restored Stuart Kings might have been able to do this, but their many mistakes, and ultimately the choices that united almost all of the normally conflicting Protestant and other political tendencies against them, finally led to their total defeat.

None of the victorious leaders, groups, or tendencies was then strong enough to impose its will upon all of the

others or to create a new autocracy. None had any incentive
to give William and Mary the power to establish one either.
The best option available to each of the leaders and groups
with power was to agree upon the ascendancy of a Parliament
that included them all, and for each of them to take out
some insurance against the power of the others through an
.independent judiciary and a Bill of Rights.

APPENDIX

AN ABSTRACT MODEL OF AUTOCRATIC VS. DEMOCRATIC GOVERNMENT
Mancur Olson

To get a model in which we can readily compare how
autocracies and democracies compare with an ideal
government, we must define the society's income carefully
and then go on to define the costs of the public goods that
governments must provide. We must define the society's
income to include nonmoney or "psychic" income and also
properly distinguish "gross" and the "net" social income.

In general, the official national income statistics do
not capture the changes in the quality of life or psychic
income, but since these things depend partly on public
expenditures we need to include them. Obviously, socially
desirable expenditures on public goods are worth more to the
society than they cost, and conversely excessive or socially
useless expenditures reduce the true income of the society.
But the measures of national income defined in the national
income statistics do not properly capture this. The
national accounts treat all expenditures on final goods and
services, whether by the government or the private sector,
as contributing identically to the national income,
irrespective of whether government expenditures are at a
socially efficient level or not. Thus conceptually we need
to consider the increase in true (money + psychic) income
that results from a given public expenditure, evaluated in

terms of the consumers' willingness to pay for it when they
honestly reveal their preferences.

This increase in "true gross income" must be compared
with the cost of the public expenditure that generated it.
The "true net" income is then obtained by subtracting the
public expenditure from the true gross income, which is
essentially income as defined in the national accounts plus
or minus psychic income. We shall make the further
simplifying assumption that there are no government
surpluses or deficits, so tax revenue equals public
expenditures. The true gross income for a society is then
analogous to an individual's true "pre-tax" income, and the
true net income for the society then is equivalent to true
post-tax income for the individual. For the society as well
as the individual, it is post-tax income that is relevant
for welfare.

To make everything clear with simple pictures, let us
look at a utopian situation with the aid of Figure 1. Curve
"Y" in this figure is true gross income as defined in the
previous paragraph. The percentage of the national income
that is taken in taxes is measured on the horizontal axis.
Since I assume that tax collections are equal to
expenditures on public goods, both income and expenditures
on public goods are functions of the tax rate. When the
level of public goods provision is inefficiently low (for
example, in a quasi-anarchy), devoting a larger percentage

Figure 1 3

Figure 1
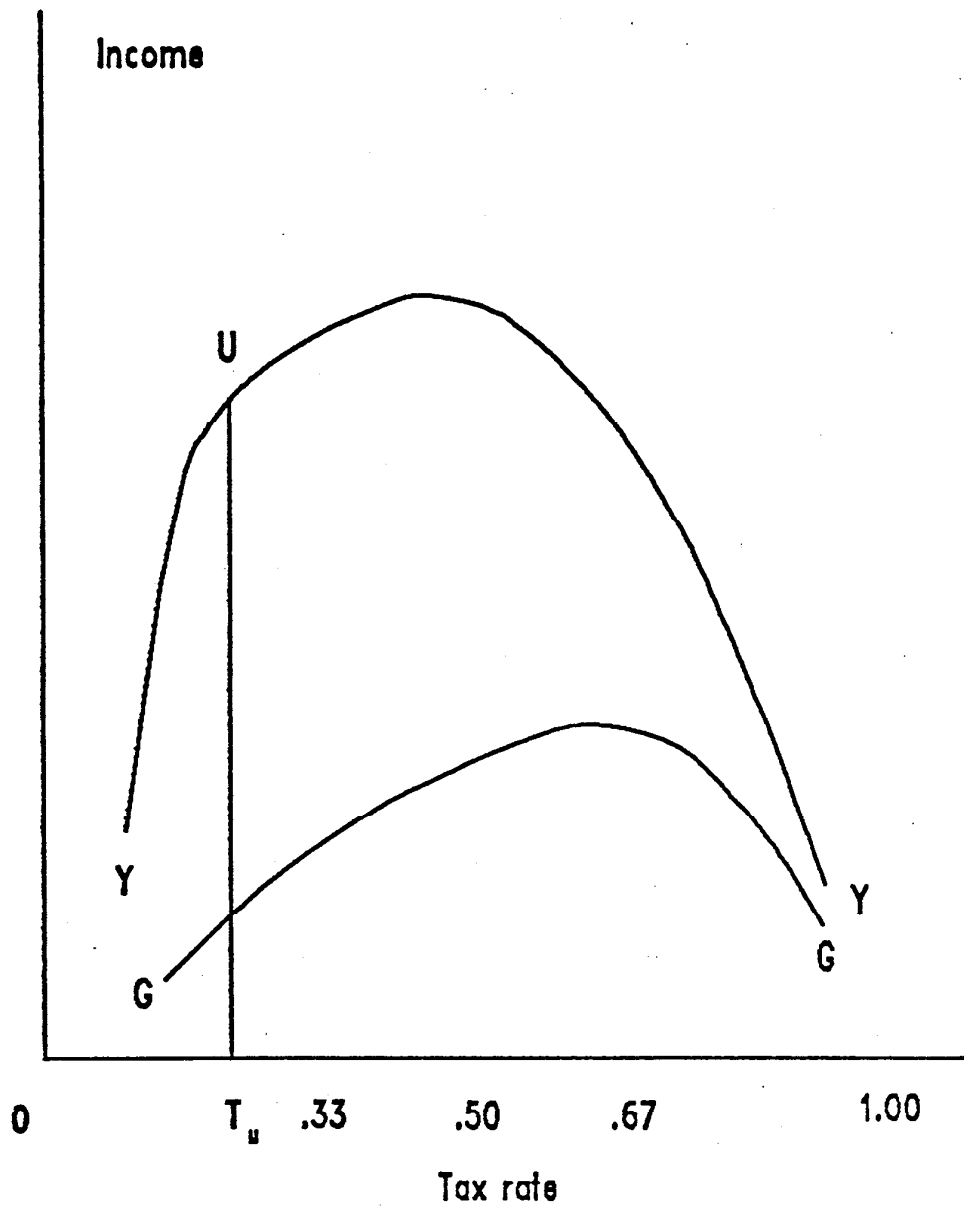
of the national income to public goods necessarily increases
gross income. To the right of the peak of the Y function
the damage to incentives from the high taxes needed to fund
the public goods reduces income more than enough to offset
any increase in productivity brought about by the additional
public goods.

To look at changes in the level of net income or
welfare we must subtract the cost of public goods. This is
not quite such a simple matter as it seems, as the cost
depends on how the tax burden is allocated among the
taxpayers. To make this allocation a precise one that will
yield an unambiguous social optimum, I shall assume that
there are Lindahl tax shares at all levels of taxes and
public goods expenditures. That is, everyone shares the
marginal (which is by assumption here also the average) tax
burden in exactly the same proportion in which they share
the benefits of public goods. Thus each individual's tax
bill divided by total tax revenues equals his willingness-
to-pay for the public good supply divided by the total
willingness-to-pay of the society. With Lindahl tax shares,
at lower-than-Pareto-optimal level of public expenditure
there is unanimous support for more public expenditure and
at the higher-than-Pareto-optimal levels of public good
provision everyone wants less public spending. At every
level of public good provision, however far from optimal it
may be, all tax collections are by assumption efficiently
directed to the provision of public goods.

We can now compare the welfare of citizens at each tax rate. The direct or cash cost of each level of public expenditure can be read off the G or "government" function in Figure 1. The true gross or pre-tax income, Y, is shown at each weighted[1] average tax rate for the society. The vertical distance between the G function and the Y function gives the true net social income.

If the initial allocation of endowments is perfectly just, net welfare is necessarily maximized when Y exceeds tax collections by the largest amount. This is where tangents to the Y curve and the G function are parallel and where the marginal social benefit of public goods just equals their marginal cost. There is then a Pareto-efficient outcome at tax-spending level U, for Utopia, in Figure 1.

II

With the aid of the ideal conception that has just been set out, we can examine the outcomes generated by autocratic and by democratic governments. Obviously, it would be easy to favor any type of government by assuming benevolent behavior of leaders of governments of that type whenever this led to better outcomes for the people at issue, and by assuming malicious behavior by the leaders of other kinds of

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[1] Each person's tax rate must have a weight given by the percentage of the total revenue his Lindahl tax share would yield.

governments. To be impartial, I will assume the same self-interested behavior at all times by all types of political leaders (and also by voters). Democratic political leaders will be assumed to care about nothing but maximizing their chances of election and autocrats will similarly be assumed to exploit their domains entirely for their own purposes. Admittedly, I have, like many others, presented evidence elsewhere2[2] that unalloyed self-interest does not characterize most human beings. Nonetheless, if a model is to be of any use, it must sacrifice descriptive accuracy to obtain manageable abstractions. The assumption of self-interest is much more realistic than any other assumption of comparable simplicity and impartiality. In the same spirit, I also abstract from "income effects" so that the willingness to pay for public goods does not change with changes in the distribution of income.

So, just as we used the rational self-interest of leaders of marauding bands to explain the establishment of peaceful order for large groups, so we must in the same way ask what the tax rate, and what disposition of tax revenues, will be most advantageous for the bandit-leader, once he has decided to be a King.

The rational self-interested autocrat will, of course, choose the tax rate that gives him the maximum attainable resources for his own purposes -- for his palaces and other

[2] "The Role of Morals and Incentives in Societies," presented at a celebration of the 200th anniversary of Georgetown University.

personal consumption, and most notably for the military power and war that will largely determine his status in relation to other autocrats and national leaders. As the Italian monarchist pointed out, a King will have the same incentive to care for his domain that a landlord has to fix the wiring in his property. But, just as a landlord who owned all housing would have an incentive to charge monopoly rents, so the autocrat has an incentive to use his monopoly of violence in his domain to extract the maximum possible surplus for himself! Thus he will raise tax rates up to the point where any further increases would reduce tax collections.

It might seem that this would lead the autocrat to choose the highest point on the G function that is depicted in Figure 1, but this is _not_ correct. The autocrat will not (except in certain special cases) spend as much on public goods as the utopian government would have done, and this entails that at any given tax rate social income and tax collections will be lower under autocracy than under an ideal government. For any given level of income of the society, every dollar the autocrat spends on public goods for the society is a dollar less that he can spend for his own purposes. It is in his interest to spend on public goods only so far as this expenditure increases the income of the society to such an extent that he gets his expenditures back in increased tax collections. Though an autocrat has an encompassing interest in his country, and

this encompassing interest leads him to provide a peaceful order and other public goods of extraordinary value to his subjects, the very fact that his subjects inevitably get part of the society's income means that the autocrat will normally spend less on public goods than a utopian government.

Suppose the revenue maximizing tax rate for the dictator is 50%. Then the dictator will get 50% of the increase in social income that is generated by the provision of additional public goods. It follows that his interests are best served if he curtails his spending on public goods when the marginal dollar spent on public goods increases the society's income by two dollars, since at this point the last dollar spent on public goods will obviously bring him back just one extra dollar of tax revenue. If the revenue maximizing tax-rate for the monarch goes up, he will gain from providing more public goods.

In general, the rational autocrat will determine his profit-maximizing level of provision of public goods by calculating how "encompassing" his interest in the marginal social income is, and equating the marginal cost of public goods with the value of his share of the resulting increase in social income. It is expected that a fuller and more formal account of the determinants of the autocrat's level

of provision, and an analysis of some interesting special cases, will be provided in separate publication.[3]

In part because of the argument that has just been set out, we must go to Figure 2 to find the optimal allocation for a self-interested autocrat. This figure not only presupposes a lower level of public good provision, and corresponding reductions in the level of social income and tax receipts at each tax rate, but also examines the impact of using part of the proceeds of taxes for the autocrat's personal purposes on social income. In Figure 1 _gross_ income was higher to the right of the optimum U because there was more spending on public goods. This spending did not increase gross income by as much as it increased expenditures on public goods, so net income of the society was reduced. But gross income and the amount of taxes that can be collected at any given tax rate were greater immediately to the right of T_u than at T_u. The tax receipts at the maximum of the tax-receipts or G function in Figure 1 could be attained only if all the money obtained from the tax receipts were devoted to the provision of public goods. When the autocrat uses much of the tax receipts for his own purposes, there will be a lower social income and a lower level of tax collections at each tax rate than would have occurred under ideal government.

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[3] This prospective publication grows out of the work of my colleague Martin McGuire and is being done jointly with him.

Figure 2
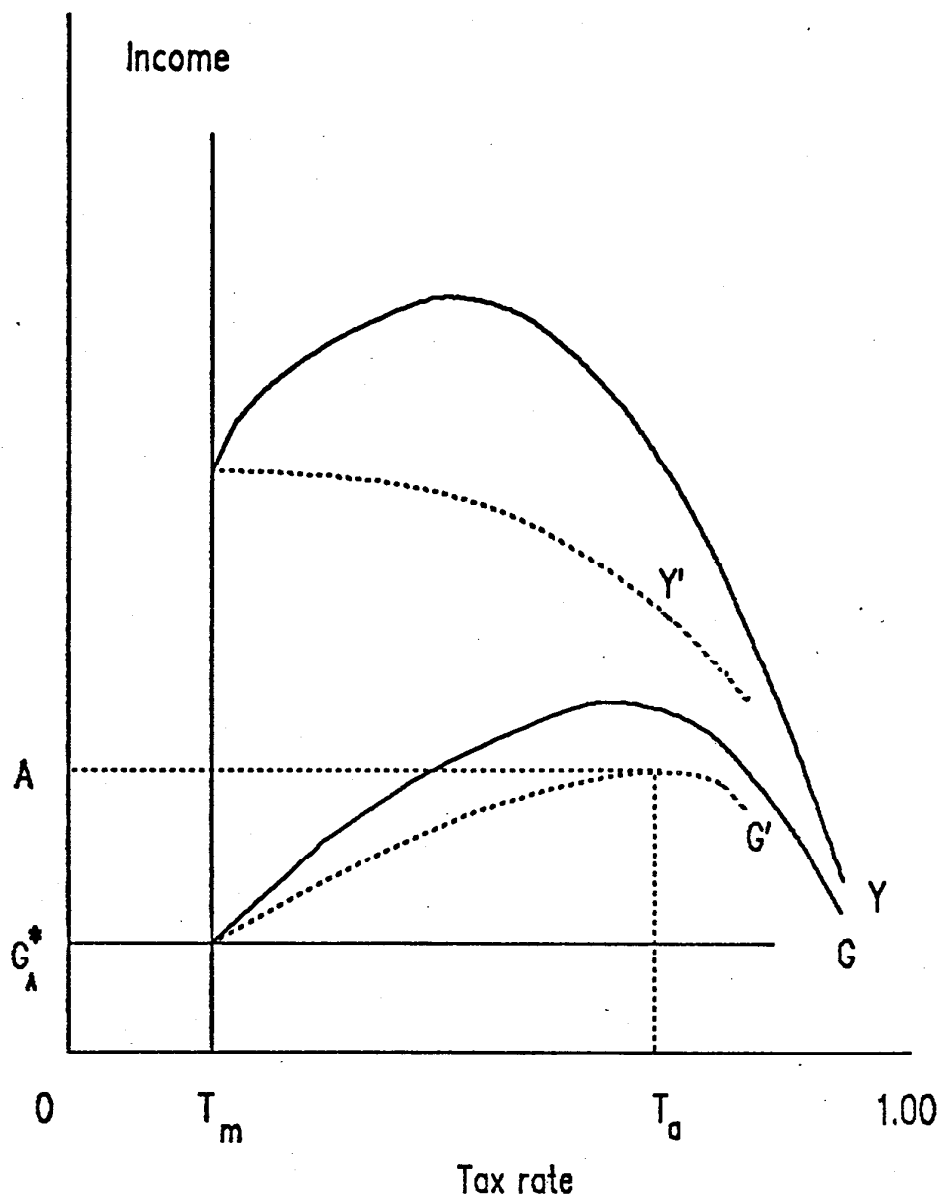
Thus in Figure 2 we depict a profit-maximizing expenditure on public goods by the autocrat, G_a^*, irrespective of the tax rate. If tax rates were not high enough to obtain G_a^* there would be an inconsistency, so income is undefined to the left of T_m. The autocrat obviously chooses tax rates higher than T_m in order to obtain resources for his personal purposes. The excess burden of taxes tends to lower income, just as it did under ideal arrangements, but there is now no offsetting effect from a higher provision of public goods. Thus the solid Y and G curves, analogous to those in Figure 1, do not apply, and income decreases steadily as tax rates rise beyond the level needed to finance G_a^* of public good provision, as indicated by the dotted line Y'. This also reduces the level of tax receipts at any given tax rate,[4] so the optimum for the autocrat is found on the G' function. At the peak of this function the difference between tax collections and expenditures on public goods is as great as it can be and the autocrat has maximized the return from his domain. The surplus that the autocrat can use in whatever way best suits his ego is OA minus OG_a^*.

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[4] Another assumption is that the mix and level of public goods for the society is not altered by the fact that the autocrat takes a substantial share of social output through high taxation for his own purposes. This in turn requires the earlier assumption that there are no income effects. It also requires that all public expenditures affect taxable and nontaxable income impartially, so the autocrat does not have an incentive to emphasize those that raise taxable income.

Obviously, this leaves the autocrat's subjects with very much higher taxes than is in their interest, and these high taxes cost the subjects more than the amount they pay to the autocrat because they damage the incentive structure of the society and thus reduce income as well. As the peak of the G' function is approached from the left, a tiny increase in tax collections can be obtained only at the cost of a much larger drop in aggregate gross income, and the taxpayer's net income must fall by an even larger percentage than gross income. The autocrat nonetheless has an incentive to press all the way to the peak of the G' function. All taxes beyond those that would have been collected at tax rate T_m, moreover, are devoted to the ruler's wants rather than those of his subjects. Of course, the autocrat will not push tax rates above T_a, since this will reduce his tax collections.

The idea that it is irrational to raise tax rates beyond the level that maximizes tax collections is an old one. Joseph Schumpeter pointed this out in his article on "The Crisis of the Tax State," written in highly-taxed Austria-Hungary not long before its defeat in World War I. There is even the germ of this idea in the 14th century in Ibn Kaldun's Muqaddimah.[5] Schumpeter's and Ibn Kaldun's important insight has been grossly misapplied and advertised as the "Laffer curve" in the United States in recent times,

[5] The Muqaddimah, An Introduction to History, translated from the Arabic by Franz Rosenthal (Princeton Univ. Press, 1967) pp. 230-31.

but this misapplication does not call the argument here into question.

The foregoing analysis should make it clear that, while the peaceful order a rational autocrat provides is vastly superior to a violent anarchy, the rational autocrat's services are very expensive indeed. The rational autocrat uses his monopoly of power to take a huge part of the total gain from the social order for his own purposes. The distribution of income under autocracy gives much of the total taxable output to the autocrat, and the taxes or other exactions that he must impose to exploit his monopoly of the government introduce colossal inefficiency as well.

III

With an ideal allocation and a self-interested autocrat's optimum as benchmarks, we can now explore how well democratic systems would work in relation to each. The democratic systems that will be considered here are so simple that they have no close counterpart in reality. They will nonetheless illustrate an advantage that relatively effective democratic systems have over autocracies and also reveal ways in which they systematically diverge from the utopian ideal that has been depicted earlier. One model will also illuminate a pathological problem in many democracies.

One prominent and simple possibility is to model the situation with a median voter model in which it is assumed

that all voters have single-peaked preferences. If at all
sizes of the government everyone always pays a Lindahl share
of the tax burden, the median voter who determines the
outcome will also pay a Lindahl share and we are back at the
ideal allocation U in Figure 1. If, realistically, we
assume there are significant departures from a Lindahl tax
structure, then the outcome will depend on the tax share of
the median voter.

 To be specific, suppose the only tax is an income tax.
The level of public expenditures would then be those sought
by the voter of median income. If the median voter paid
more than his Lindahl tax share, the level of provision of
public goods would be somewhat too low; if he paid more than
his Lindahl tax share, it would be somewhat too high. Since
it is highly improbable that the median voter's tax rate is
exactly his Lindahl share, the democratic outcome will
almost never be Pareto-optimal. On the other hand, there is
normally a positive income elasticity of demand for most
public goods and usually also higher taxes for higher income
people, so there is no reason to believe that median-voter
outcomes diverge dramatically from optimal allocations.

 They certainly would tend to be vastly better than the
autocratic outcome. Since the median voter certainly places
a positive valuation on private goods, he would never vote
for a tax rate that was at the maximum of the G function.
If the allocation is anywhere close to this maximum, a
reduction in tax rates generates a large increase in post-

tax income at the cost of a tiny reduction in the provision of public goods. Accordingly, the median voter, even if his actual tax share was surprisingly far below his Lindahl share, would tend to vote for such a a tax reduction, so tax rates would normally be much lower in a median voter democracy than in an autocracy. The median voter, moreover, would have an incentive to vote only for those public expenditures that were of some benefit to him, so a median-voter democracy would not generate huge expenditures for the personal consumption of the leader of the government akin to those at the autocratic optimum. In short, whatever plausible assumptions one chooses for a self-interested median-voter model of democracy, the outcomes appear to be vastly better ones for the citizenry than those that result from the self-interested autocrat.

One of the well-known problems of median voter models with single peaked preferences is that they do not capture the most serious distributional conflicts, and these distributional conflicts can bring endless Arrovian cycles. The redistributional struggles and the policies that they give rise to will in general also mean that there are additional deadweight losses from the taxes and other policies that grow out of the distributional struggle. What, if anything, may be said about how a democracy will work when a governing party or President can for electoral advantage change the tax and subsidy structure, and thus

redistribute income in such a way that it "buys" the votes of a prospective majority?

IV

To analyze this democratic difficulty most simply, I assume that proportional representation is excluded and there is instead a winner-take-all voting rule, such as applies to the Presidencies in France and the United States and to seats in the House of Commons in Britain. With a winner-take-all voting rule, there is almost no purpose in having a small party since no power can be attained without a majority. Similarly, it cannot be rational for a Presidential candidate to seek less than a majority of the electorate. Thus there will under a winner-take-all voting rule be a tendency toward the two-party or two-candidate elections. I assume that no distributional coalitions or special interest groups play any role, so the outcomes depend entirely upon the policies of the two parties or candidates, each of which maximizes the likelihood of victory. Since the Presidents or party leaders are by assumption self-interested, they have no inhibitions about using the tax and subsidy system to buy the support of a majority.

Here an important constraint on vote-buying redistribution arises from the "encompassing" character of the constituency each party must have in a two-party or two-candidate system. Since each party or President must get a

majority to win anything, its must strive to please a
constituency that will obtain a large fraction of the total
income of the society -- the fraction F for a party in a
two-party system will not be far from one-half. If the
income in the society rises or falls, the income of its
constituents will on average rise or fall by FdY.

This encompassing interest gives the party or President
an important stake in the well-being of the society.
Incumbent parties and Presidents want to run for re-election
in circumstances where they can credibly tell the voters
that "you never had it so good," so they have a strong
incentive to achieve good outcomes for the citizenry.
Everyday observation confirms that Presidents and leaders of
encompassing political parties do indeed strive to be able
to claim there is "peace and prosperity" when they run for
re-election. However, even a party or candidate with an
encompassing constituency may still provide the best outcome
of all for a given majority of the electorate by having some
redistribution from the minority toward this majority. This
can be true even though the deadweight loss from such a
redistribution entails that this makes the national income
lower than it would otherwise be.

The extent to which redistributive vote-buying is
expedient is limited by the difficulty of targeting the
redistribution as well as by the encompassing interest of
any majority coalition. The difficulties of targeting arise
because the regions, occupations, income levels, or other

identifiable attributes of voters that are used to determine
whether they get a subsidy are not in general a perfect
guide to what party they can be induced to support. A
policy to subsidize persons in given categories will
probably aid some individuals who prefer the alternative
party. A subsidy may even induce the movement of voters who
prefer the alternative party to the regions, occupations, or
other categories that are subsidized. Thus much of the
redistribution intended for the prospective majority will be
"wasted" on those who support the other party. If the
incumbent party attempts to tax those in the minority to
subsidize the prospective majority it will in practice tax
some of those in the prospective majority and subsidize some
of those in the minority. In general, only a proportion, P,
of the redistribution targeted toward a prospective majority
will be a net redistribution to it. An examination of
plausible examples indicates that P could often easily be as
low as .5.[6]

With the conceptual framework developed here, we can
see both the social losses from democratic redistributions

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[6] Suppose that the incumbent party increases taxes on
everyone to subsidize a majority, but that to make sure that
it reaches the targeted majority it must make transfers to
three-fourths of the electorate. One third of the subsidy
is then "wasted," and the prospective majority must bear its
share, F, of the wasted subsidy (as well as of the
deadweight loss on all of the subsidy). If three-fourths of
the electorate is then subsidized and the prospective
majority bears half of the cost of the misdirected third of
the subsidy, its members get net only half, or 4/6ths minus
1/6th, of the subsidy. Thus their net gain from the subsidy
is equal to half of the amount redistributed.

and the constraints on such redistributions when there are
encompassing coalitions. Simply for convenience, let us
suppose we start at the point in Figure 2 depicting the
optimum level of provision of public goods for the autocrat.
The encompassing political leader with the strategy of using
vote-buying redistribution to help obtain a majority will
increase taxes and try to target the proceeds to his
prospective majority. This redistribution, like the
redistribution of the autocrat toward himself, will not
increase gross income as the provision of more public goods
would have; the taxes and subsidies will bring about
deadweight losses. Thus gross as well as net income will
decline to the right of T_m as they did as a result of the
policy of the optimizing autocrat.

Nonetheless, the democracy with encompassing interests
works incomparably better for the citizenry, even with
uninhibited vote buying, than an optimizing autocrat.
Suppose that the majority coalition earns exactly half of
the national income and the difficulties of targeting
dictate that P is also one-half. When the deadweight losses
from redistributive vote-buying become as large as the
amount of the subsidy, the majority will gain from stopping
the redistribution toward itself. Given the targeting
difficulties the net redistribution to the majority is only
half of the subsidy, but the majority bears half of the
reduction in the national income that results from the total
subsidy. Even if there were somehow costless and perfect

targeting of subsidies, the redistribution would cease when
the national income fell by double the amount of the
subsidy.

To put the point generally, when the excess burden of
the subsidy at the margin reaches P/F, it no longer pays the
beneficiaries of the redistribution to carry it any further.
At this point their share of the social loss from the
redistribution just equals the net redistribution to them,
and the upper bound on politically rational redistribution
has been reached. Thus, when there are encompassing
political parties or offices that determine democratic
outcomes, the electoral gains from redistribution are
limited, and these limits are more confining the greater the
difficulty of targeting redistribution to a prospective
majority.

Those who have not studied deadweight losses in the
presence of the _narrow_ distributional coalitions may think
that the foregoing constraints on vote-buying redistribution
are not confining. A limit on redistribution that becomes
effective only when the deadweight loss becomes (say) as
large as the redistribution may not seem to be a binding
constraint to those who have been brought up to believe that
"all Harberger triangles are small." In fact, even in the
richest democracies narrow distributional coalitions often
lead to deadweight losses that are substantial multiples of
the amount redistributed to the members of the coalition,
and in many underdeveloped nations the social losses from

poor public policies account for most of the gap in per
capita income between these countries and the developed
world.[7]

To see the importance of the constraint on the losses
from vote-buying redistribution with encompassing parties,
consider the size of the excess burden that occurs when
there is redistribution with tiny political parties (or with
narrow special interest groups). Suppose that a political
party or a special interest group represents a constituency
that earns five percent of the national income. If there
were no difficulties in targeting redistribution, it would
pay this narrow interest to continue seeking redistributions
to itself until the deadweight losses become twenty times as
large as the redistribution. Thus democratic societies
suffer colossal losses when their public policies become
collections of measures won by special interest groups,
whether the special interests take the form of lobbies or
small political parties.

Though a democracy without any encompassing interest
does suffer some losses that an autocrat with his
encompassing interest would avoid, even a democracy of this
kind has an important advantage for its citizens over an
autocracy. Consider the situation at the autocrat's optimum
at the peak of the G' function in Figure 2. The autocrat
has an incentive to choose this high tax rate and to keep

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[7] This is shown in my "Key to Economic Development."

all of the proceeds (beyond the level T_m spent on public
goods) for himself because his gain comes exclusively from
tax collections and other exactions: the post-tax income of
his subjects has no direct impact on his welfare or choice
of tax rate.

In a democracy with competitive political parties even
a political party that represented only five percent of the
society would have some direct concern with the amount of
net earned social income, because its members would get a
little of this income. They would not, in other words, be
quite at the peak of their G' function.[8] The vote-buying
redistributions of a democracy with narrow parties would
also differ from the autocrat's exactions in that they would
be returned to the citizenry, or more precisely to various
subsets of it. As governing coalitions changed over time
different subsets of the citizenry would gain from the
changing redistributions. Thus for many citizens the
distributional gains and losses would in the long run come
close to balancing off, so that the only big losses would be
the excess burdens. These are serious losses, but there are
also large losses of efficiency in an autocracy from the

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[8] Though the excess burden of a given tax rate would be
the same for a redistributive democracy and an autocracy,
the excess burden of a given level of subsidies from
democratic redistribution would not necessarily be the same
as the same amount of autocratic spending. The subsidies
from democratic redistribution might have a larger adverse
effect on the incentives to work, or the autocratic spending
might be more likely to be on socially costly wars, etc.
Thus the G' function in Figure 2 need not be the same for an
autocracy and a redistributive democracy.

"redistribution" to the autocrat, and the citizenry does not get any of this back.